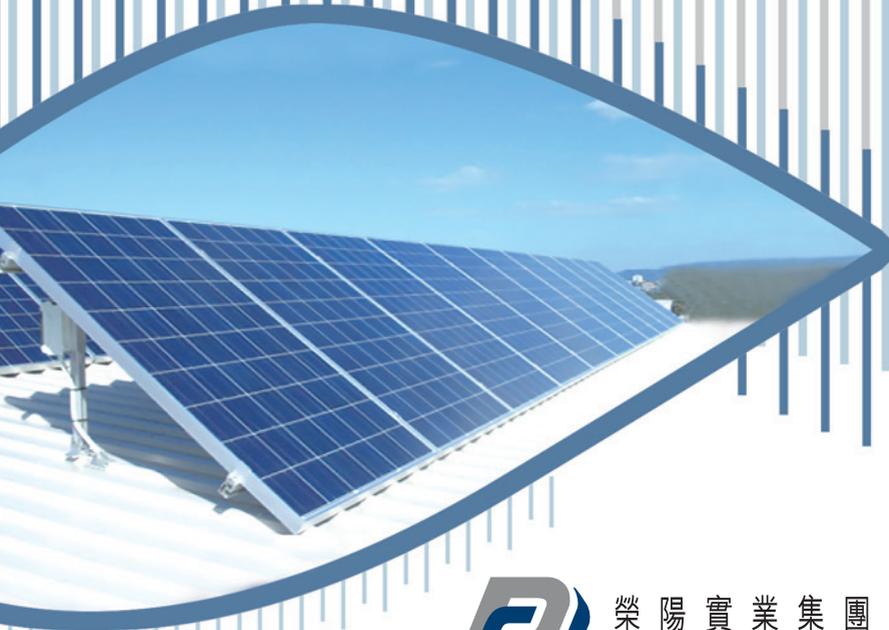




Interim Report 2022

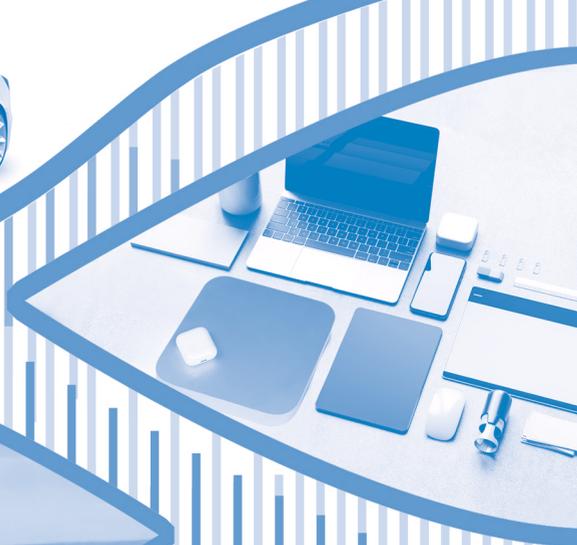


榮陽實業集團有限公司
PanAsialum Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2078



This Interim Report is printed on environmentally friendly paper



CONTENTS

| | |
|--|----|
| Corporate Information | 2 |
| Financial Highlights and Key Financial Ratios | 4 |
| Condensed Consolidated Interim Financial Information | |
| • Condensed Consolidated Interim Statement of Financial Position | 5 |
| • Condensed Consolidated Interim Statement of Comprehensive Income | 7 |
| • Condensed Consolidated Interim Statement of Changes in Equity | 9 |
| • Condensed Consolidated Interim Statement of Cash Flows | 10 |
| Notes to the Condensed Consolidated Interim Financial Statements | 11 |
| Management Discussion and Analysis | 23 |
| Other Information | 30 |



Corporate Information

DIRECTORS

Executive Directors

Mr. Pan Zhaolong
(Chairman and Chief Executive Officer)
Mr. Ho Pak Yiu

Independent Non-executive Directors

Mr. Leung Ka Tin
Dr. Cheung Wah Keung
Mr. Chan Kai Nang

BOARD COMMITTEES

Audit Committee

Mr. Leung Ka Tin (Chairman)
Dr. Cheung Wah Keung
Mr. Chan Kai Nang

Remuneration Committee

Dr. Cheung Wah Keung (Chairman)
Mr. Chan Kai Nang
Mr. Leung Ka Tin

Nomination Committee

Mr. Leung Ka Tin (Chairman)
Mr. Pan Zhaolong
Mr. Ho Pak Yiu
Dr. Cheung Wah Keung
Mr. Chan Kai Nang

Environmental, Social and Governance Committee

Mr. Pan Zhaolong (Chairman)
Mr. Ho Pak Yiu
Dr. Cheung Wah Keung

AUTHORIZED REPRESENTATIVES

Mr. Pan Zhaolong
Mr. Ho Pak Yiu

COMPANY SECRETARY

Mr. Leung Tak Chee Frankie

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

STOCK CODE

2078

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
("Exchange")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 05, 17th Floor, Nanyang Plaza
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

PRODUCTION BASES IN PEOPLE'S REPUBLIC OF CHINA ("PRC")

Long Sheng Industrial Area
No. 6 Long Sheng Road
Wolong District
Nanyang City
Henan Province
PRC

PRINCIPAL SHARE REGISTRAR

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
The Hongkong and Shanghai Banking
Corporation Limited
Jiangmen Rural Commercial Bank
Guangzhou Rural Commercial Bank,
Jiangmen Branch

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

Jeffrey Mak Law Firm

WEBSITE

www.palum.com

Note: Information in this section is as at the date hereof.



Financial Highlights and Key Financial Ratios

(Unaudited financial data prepared in accordance with HKAS)

| | For the six months ended June 30, | | |
|---|-----------------------------------|---------------------|----------------|
| | 2022 (Unaudited) | 2021 (Unaudited) | Change in % |
| Revenue | HK\$982.0 million | HK\$992.8 million | -1.1% |
| Gross Profit | HK\$135.6 million | HK\$72.2 million | 87.8% |
| Gross Profit Margin ⁽¹⁾ | 13.8% | 7.3% | 89.0% |
| Profit/(loss) attributable to owners of the Company | HK\$0.4 million | (HK\$85.4 million) | 100.5% |
| EBITDA | HK\$43.9 million | (HK\$32.3 million) | 235.9% |
| Profit/(loss) per Share (HK cents) | 0.04 | (7.1) | |
| Return on equity ⁽²⁾ | 0.05% | (7.4%) | |
| Interest Coverage Ratio ⁽³⁾ | (1.00) | (2.04) | |

| | As at June 30, 2022 (Unaudited) | As at December 31, 2021 (Audited) |
|-------------------------------------|--|--|
| Current Ratio ⁽⁴⁾ | 1.29 | 1.26 |
| Quick Ratio ⁽⁵⁾ | 1.12 | 0.97 |
| Gearing Ratio ⁽⁶⁾ | 31.1% | 32.1% |
| Debt to Equity Ratio ⁽⁷⁾ | 45.1% | 47.3% |

- (1) The calculation of Gross Profit Margin is based on gross profit divided by revenue and multiplied by 100%.
- (2) The calculation of Return on Equity is based on profit attributable to owners of the Company for the Period divided by equity attributable to owners of the Company and multiplied by 100%.
- (3) The calculation of Interest Coverage Ratio is based on profit before interest and tax expenses divided by finance costs.
- (4) The calculation of Current Ratio is based on current assets divided by current liabilities.
- (5) The calculation of Quick Ratio is based on current assets less inventories divided by current liabilities.
- (6) The calculation of Gearing Ratio is based on net debt (total borrowings less cash and cash equivalents) divided by sum of total equity and net debt multiplied by 100%.
- (7) The calculation of Debt to Equity Ratio is based on total borrowings less cash and cash equivalents divided by total equity multiplied by 100%.

The Board of Directors (“**Directors**”) of the Company (“**Board**”) did not declare an interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: Nil).

Condensed Consolidated Interim Statement of Financial Position

As at June 30, 2022

| | | Unaudited June 30, 2022 HK\$'000 | Audited December 31, 2021 HK\$'000 |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 763,180 | 829,812 |
| Investment properties | | 75,245 | 78,860 |
| Deferred tax assets | | 2,424 | 2,540 |
| Right-of-use assets | | 311,220 | 333,095 |
| Prepayments for property, plant and equipment | | 23,533 | 28,864 |
| | | <u>1,175,602</u> | <u>1,273,171</u> |
| Current assets | | | |
| Inventories | | 119,559 | 201,880 |
| Trade receivables | 8 | 401,581 | 380,442 |
| Prepayments, deposits and other receivables | | 199,652 | 206,602 |
| Derivative financial instruments | | 8,341 | – |
| Pledged bank deposits | | 58,329 | 26,478 |
| Cash and cash equivalents | | 133,217 | 54,599 |
| | | <u>920,679</u> | <u>870,001</u> |
| Total assets | | <u>2,096,281</u> | <u>2,143,172</u> |
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | 9 | 120,000 | 120,000 |
| Reserves | | 741,457 | 793,533 |
| Total equity attributable to owners of the Company | | <u>861,457</u> | <u>913,533</u> |



Condensed Consolidated Interim Statement of Financial Position

As at June 30, 2022

| | | Unaudited June 30, 2022 HK\$'000 | Audited December 31, 2021 HK\$'000 |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 2,972 | 3,859 |
| Borrowings | 10 | 222,044 | 230,259 |
| Tax liabilities | | 297,230 | 307,223 |
| | | <u>522,246</u> | <u>541,341</u> |
| Current liabilities | | | |
| Trade payables | 11 | 114,419 | 109,082 |
| Contract liabilities, other payables and accrued charges | | 205,781 | 218,242 |
| Borrowings | 10 | 299,807 | 256,424 |
| Lease liabilities | | 6,209 | 9,576 |
| Deferred income on government grants | | 17,540 | 18,588 |
| Current income tax liabilities | | 68,822 | 76,386 |
| | | <u>712,578</u> | <u>688,298</u> |
| Total liabilities | | <u><u>1,234,824</u></u> | <u><u>1,229,639</u></u> |
| Total equity and liabilities | | <u><u>2,096,281</u></u> | <u><u>2,143,172</u></u> |

The notes on pages 11 to 22 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2022

| | | Unaudited six months ended June 30, 2022 HK\$'000 | Unaudited six months ended June 30, 2021 HK\$'000 |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| Revenue | 6 | 981,971 | 992,800 |
| Cost of sales | 6 | (846,390) | (920,613) |
| Gross profit | | 135,581 | 72,187 |
| Distribution and selling expenses | | (35,265) | (41,923) |
| Administrative expenses | | (98,708) | (111,353) |
| Other income | | 21,515 | 27,447 |
| Other losses – net | 13 | (11,256) | (3,925) |
| Finance costs – net | 14 | (11,441) | (27,209) |
| Profit/(loss) before income tax | | 426 | (84,776) |
| Income tax expense | 15 | – | (617) |
| Profit/(loss) for the Period | | 426 | (85,393) |
| Profit/(loss) per share for profit/(loss) attributable to the owners of the Company (Basic and diluted HK cents per share) | 17 | 0.04 | (7.1) |



Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2022

| | Unaudited six months ended June 30, 2022 HK\$'000 | Unaudited six months ended June 30, 2021 HK\$'000 |
|--|--|--|
| <i>Note</i> | | |
| Profit/(loss) for the Period | 426 | (85,393) |
| Other comprehensive income: | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Currency translation differences | <u>(52,502)</u> | <u>12,234</u> |
| Total comprehensive income for the Period | <u>(52,076)</u> | <u>(73,159)</u> |

The notes on pages 11 to 22 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2022

| | Unaudited Attributable to owners of the Company | | | | | | Total equity HK\$'000 |
|--|--|------------------------------|---|-------------------------------------|-------------------------------|--|-----------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Shares held for share award scheme HK\$'000 | Share option reserve HK\$'000 | Other reserves HK\$'000 | Retained earnings/ (accumulated losses) HK\$'000 | |
| Balance at January 1, 2022 | 120,000 | 1,001,287 | (774) | 6,378 | 44,507 | (257,865) | 913,533 |
| Profit for the Period | - | - | - | - | - | 426 | 426 |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | - | - | (52,502) | - | (52,502) |
| Total comprehensive income for the Period | - | - | - | - | (52,502) | 426 | (52,076) |
| Transfer upon lapse of share options | - | - | - | (1,823) | - | 1,823 | - |
| Balance at June 30, 2022 | 120,000 | 1,001,287 | (774) | 4,555 | (7,995) | (255,616) | 861,457 |

| | Unaudited Attributable to owners of the Company | | | | | | Total equity HK\$'000 |
|--|--|------------------------------|---|-------------------------------------|-------------------------------|--|-----------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Shares held for share award scheme HK\$'000 | Share option reserve HK\$'000 | Other reserves HK\$'000 | Retained earnings/ (accumulated losses) HK\$'000 | |
| Balance at January 1, 2021 | 120,000 | 1,001,287 | (774) | 9,307 | 17,101 | 79,931 | 1,226,852 |
| Loss for the Period | - | - | - | - | - | (85,393) | (85,393) |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | - | - | 12,234 | - | 12,234 |
| Total comprehensive income for the Period | - | - | - | - | 12,234 | (85,393) | (73,159) |
| Transfer upon lapse of share options | - | - | - | (463) | - | 463 | - |
| Balance at June 30, 2021 | 120,000 | 1,001,287 | (774) | 8,844 | 29,335 | (4,999) | 1,153,693 |

The notes on pages 11 to 22 are an integral part of this condensed consolidated interim financial information.



Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2022

| | Unaudited six months ended June 30, 2022 HK\$'000 | Unaudited six months ended June 30, 2021 HK\$'000 |
|--|--|--|
| Net cash generated from/(used in) operating activities | 104,050 | (180,477) |
| Net cash (used in)/generated from investing activities | (6,312) | 1,742,017 |
| Net cash generated from/(used in) financing activities | 4,170 | (1,380,310) |
| Net increase in cash and cash equivalents | 101,908 | 181,230 |
| Cash and cash equivalents at beginning of the Period | 54,599 | 26,749 |
| Effect of foreign exchanges rates changes | (23,290) | (474) |
| Cash and cash equivalents at end of the Period | 133,217 | 207,505 |

The notes on pages 11 to 22 are an integral part of this condensed consolidated interim financial information.



1 GENERAL INFORMATION

PanAsialum Holdings Company Limited (“**Company**”) and its subsidiaries (together, the “**Group**” or “**PanAsialum**”) are principally engaged in the manufacturing and trading of aluminium products. The Company is an investment holding company. The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on October 7, 2005 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company’s shares have been listed on the main board of The Stock Exchange of Hong Kong Limited since February 5, 2013.

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“**HK\$**” or “**HKD**”), unless otherwise stated. This condensed consolidated interim financial information has been reviewed by the Audit Committee but not audited, and it was approved for issue by the board of Directors (“**Board**”) on August 26, 2022.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended June 30, 2022 has been prepared in accordance with HKAS 34 ‘Interim Financial Reporting’. This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards.



Notes to the Condensed Consolidated Interim Financial Statements

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended December 31, 2021, as described in those annual consolidated financial statements.

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The adoption of these new or amendments to HKFRSs does not have any significant financial effect on the Group's condensed consolidated interim financial statements.

The Group has not adopted new or amendments to HKFRSs that have been issued but are not yet effective in advance. The directors anticipate that the adoption of these new or amendments to HKFRSs will have no material impact on the results and financial position of the Group.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group is not exposed to material equity price risk. There have been no changes in any risk management policies since the last year end.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2021.

4.2 Liquidity risk

Compared to the last year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.



4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Commodity price risk on aluminium

The Group is exposed to commodity price risk because aluminium ingots are the major raw materials of the Group's products. Any change in prices of aluminium could affect the Group's financial performance. The Group has entered into future contracts traded on the Shanghai Futures Exchange in order to mitigate the risk arising from fluctuation in aluminium price.

The Group recognised a total loss on derivative financial instruments of approximately HK\$10.7 million during the period ended June 30, 2022 (2021: HK\$nil). As at June 30, 2022, the Group held future contracts which has matured in July 2022 (2021: nil). Management considers the fluctuation on the commodity price of aluminium does not have a significant impact on the Group's earnings and cash flows in the long run.

The outstanding balances of future contracts entered as at June 30, 2022 are approximately HK\$8.3 million.

4.4 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short maturity.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended December 31, 2021.

Notes to the Condensed Consolidated Interim Financial Statements

6 REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and trading of aluminium products which are operating in four geographical areas, namely the PRC, Australia, South East Asia and others.

The segment information has been identified on the basis of internal management reports prepared for the purpose of resource allocation, performance assessment and decision making and is regularly reviewed by the executive directors (“**ED(s)**”) of the Company.

The tables below present geographical segment information.

| | Unaudited six months ended June 30, 2022 | | | | |
|-----------------------------|---|-----------------------|-----------------------|--------------------|-------------------|
| | South | | | | Total HK\$'000 |
| | The PRC HK\$'000 | Australia HK\$'000 | East Asia HK\$'000 | Others HK\$'000 | |
| Sales to external customers | 438,845 | 77,124 | 413,071 | 52,931 | 981,971 |
| Cost of sales | <u>(336,555)</u> | <u>(59,800)</u> | <u>(405,787)</u> | <u>(44,248)</u> | <u>(846,390)</u> |
| Gross profit | <u>102,290</u> | <u>17,324</u> | <u>7,284</u> | <u>8,683</u> | <u>135,581</u> |

| | Unaudited six months ended June 30, 2021 | | | | |
|-----------------------------|---|-----------------------|-----------------------|--------------------|-------------------|
| | South | | | | Total HK\$'000 |
| | The PRC HK\$'000 | Australia HK\$'000 | East Asia HK\$'000 | Others HK\$'000 | |
| Sales to external customers | 452,540 | 136,943 | 334,616 | 68,701 | 992,800 |
| Cost of sales | <u>(433,517)</u> | <u>(107,673)</u> | <u>(321,689)</u> | <u>(57,734)</u> | <u>(920,613)</u> |
| Gross profit | <u>19,023</u> | <u>29,270</u> | <u>12,927</u> | <u>10,967</u> | <u>72,187</u> |



7 PROPERTY, PLANT AND EQUIPMENT

| | Unaudited six months ended June 30, 2022 HK\$'000 | Audited year ended December 31, 2021 HK\$'000 |
|-----------------------------------|--|--|
| Opening net book amount | 829,812 | 919,125 |
| Exchange differences | (36,862) | 21,205 |
| Additions | 12,531 | 108,590 |
| Transfer to investment properties | - | (73,938) |
| Revaluation loss | - | (10,058) |
| Deregistration of a subsidiary | - | (336) |
| Disposals | (1,878) | (36,945) |
| Depreciation (Note 12) | (40,423) | (97,831) |
| | <u>763,180</u> | <u>829,812</u> |
| Closing net book amount | <u>763,180</u> | <u>829,812</u> |

8 TRADE RECEIVABLES

| | Unaudited June 30, 2022 HK\$'000 | Audited December 31, 2021 HK\$'000 |
|----------------------------------|---|---|
| Trade receivables | 577,948 | 559,199 |
| Less: impairment loss recognised | (176,367) | (178,757) |
| | <u>401,581</u> | <u>380,442</u> |
| Trade receivables – net | <u>401,581</u> | <u>380,442</u> |

The carrying amounts of these receivables approximate their fair values. The Group's sales are mainly made on (i) cash on delivery; and (ii) credit terms of 30 to 90 days (2021: Same). The Group does not hold any collateral as security.

8 TRADE RECEIVABLES *(Continued)*

The ageing analysis of the trade receivables based on due date was as follows:

| | Unaudited June 30, 2022 HK\$'000 | Audited December 31, 2021 HK\$'000 |
|-------------------|---|---|
| Current | 325,577 | 315,720 |
| 1 – 30 days | 59,153 | 41,187 |
| 31 – 60 days | 3,742 | 7,348 |
| 61 – 90 days | 7,989 | 2,081 |
| 91 – 180 days | 4,151 | 1,967 |
| 181 days – 1 year | 969 | 12,139 |
| | <u>401,581</u> | <u>380,442</u> |

As at June 30, 2022, receivables of HK\$325,577,000 were neither past due nor impaired (as at December 31, 2021: HK\$315,720,000). These receivables relate to customers for whom there is no recent history of default.

Certain subsidiaries of the Group pledged trade receivables balances amounting to HK\$36,860,000 to financial institution in exchange for cash as at June 30, 2022 (as at December 31, 2021: HK\$22,061,000). The transactions have been accounted for as collateralized borrowings (Note 10).

As at June 30, 2022, all trade receivables were non-interest bearing (as at December 31, 2021: Same).

9 SHARE CAPITAL

| | Unaudited June 30, 2022 | | Audited December 31, 2021 | |
|----------------------------------|------------------------------------|-----------------------|--------------------------------------|-----------------|
| | Number of shares | HK\$'000 | Number of shares | HK\$'000 |
| Authorized: | | | | |
| Ordinary shares of HK\$0.10 each | <u>2,400,000,000</u> | <u>240,000</u> | <u>2,400,000,000</u> | <u>240,000</u> |
| Issued and fully paid: | <u>1,200,000,000</u> | <u>120,000</u> | <u>1,200,000,000</u> | <u>120,000</u> |



10 BORROWINGS

| | Unaudited June 30, 2022 HK\$'000 | Audited December 31, 2021 HK\$'000 |
|---|---|---|
| Current | | |
| Collateralized borrowings of a financial institution (Note 8) | 44,068 | 18,816 |
| Other loans | 255,739 | 237,608 |
| | 299,807 | 256,424 |
| Non-current | | |
| Other loans | 222,044 | 230,259 |
| Total | 521,851 | 486,683 |

As at June 30, 2022, the effective interest rate of the interest-bearing borrowings was 4.51% per annum (as at December 31, 2021: 4.18% per annum). The Group's bank borrowings carry interest at floating rates and their carrying amounts approximate their fair values.

As at June 30, 2022, the Group's facilities were secured by the following:

- (i) guarantees of the Company and certain subsidiaries (December 31, 2021: Same);
- (ii) guarantees of a former executive director of the Company (December 31, 2021: Same);
- (iii) guarantees of a director of the Company and a PRC subsidiary (December 31, 2021: certain directors of the Company and a PRC subsidiary);
- (iv) guarantee of a state-owned enterprise of the PRC (December 31, 2021: Same);
- (v) pledge of the Group's certain trade receivables (December 31, 2021: Same);
- (vi) pledge of the Group's certain property, plant and equipment and right-of-use assets (December 31, 2021: Same);
- (vii) pledge of the Group's certain bank deposits (December 31, 2021: Same); and
- (viii) pledge of share capital of a subsidiary (December 31, 2021: Same).

Notes to the Condensed Consolidated Interim Financial Statements

11 TRADE AND BILLS PAYABLES

As at June 30, 2022 and December 31, 2021, the ageing analysis of the Group's trade and bills payables based on invoice date was as follows:

| | Unaudited June 30, 2022 HK\$'000 | Audited December 31, 2021 HK\$'000 |
|--------------|---|---|
| 0 – 30 days | 59,058 | 65,348 |
| 31 – 60 days | 19,277 | 6,709 |
| 61 – 90 days | 3,348 | 2,105 |
| Over 90 days | 32,736 | 34,920 |
| | <u>114,419</u> | <u>109,082</u> |

12 EXPENSES BY NATURE

| | Unaudited six months ended June 30, 2022 HK\$'000 | Unaudited six months ended June 30, 2021 HK\$'000 |
|---|--|--|
| Operating profit/(loss) is stated after charging/(crediting) the following: | | |
| Auditor's remuneration | | |
| – current period | 1,400 | 1,500 |
| – prior period over provision | – | (200) |
| Cost of inventories recognised as expenses | 846,390 | 920,613 |
| Employee benefit expenses (include wages and salaries) | 66,467 | 100,415 |
| Depreciation of property, plant and equipment (Note 7) | 40,423 | 49,392 |
| Depreciation of right-of-use assets | 9,629 | 9,170 |
| (Reversal of impairment loss)/ impairment loss on trade receivables | (733) | 761 |
| Impairment loss on inventories | 6,691 | 7,495 |



13 OTHER LOSSES – NET

| | Unaudited six months ended June 30, 2022 HK\$'000 | Unaudited six months ended June 30, 2021 HK\$'000 |
|--|--|--|
| Net exchange losses | (565) | (3,925) |
| Loss on derivative financial instruments – aluminium future contracts | <u>(10,691)</u> | <u>–</u> |
| | <u>(11,256)</u> | <u>(3,925)</u> |

14 FINANCE INCOME AND COSTS

| | Unaudited six months ended June 30, 2022 HK\$'000 | Unaudited six months ended June 30, 2021 HK\$'000 |
|---------------------------------------|--|--|
| Interest income: | | |
| Interest income on bank deposits | <u>323</u> | <u>1,046</u> |
| Finance income | <u>323</u> | <u>1,046</u> |
| Interest expenses: | | |
| Interest expense on lease liabilities | <u>(388)</u> | <u>(464)</u> |
| Interest expense on borrowings | <u>(11,376)</u> | <u>(27,791)</u> |
| Finance costs | <u>(11,764)</u> | <u>(28,255)</u> |
| Finance costs – net | <u>(11,441)</u> | <u>(27,209)</u> |

15 INCOME TAX EXPENSE

Hong Kong profits tax is calculated at two-tiered rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million during the six months ended June 30, 2022 (2021: same).

The Group's operations in the PRC are subject to the PRC corporate income tax. The standard PRC Corporate income tax rate was 25% during the six months ended June 30, 2022 (2021: same).

| | Unaudited six months ended June 30, 2022 HK\$'000 | Unaudited six months ended June 30, 2021 HK\$'000 |
|---------------------------------|--|--|
| Hong Kong profits tax | | |
| – current period | – | – |
| Overseas taxation | | |
| – under provision in prior year | – | (617) |
| | <u>–</u> | <u>(617)</u> |

16 DIVIDENDS

No dividend has been declared by the Company for the six months ended June 30, 2022 and 2021.



17 PROFIT/(LOSS) PER SHARE

Basic

Basic profit/(loss) per share is calculated by dividing the profit/(loss) for the Period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period.

| | Unaudited six months ended June 30, 2022 | Unaudited six months ended June 30, 2021 |
|---|---|--|
| Profit/(loss) attributable to owners of the Company (HK\$'000) | <u>426</u> | <u>(85,393)</u> |
| Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands) | <u>1,199,405</u> | <u>1,199,405</u> |
| Basic profit/(loss) per share (HK cents) | <u>0.04</u> | <u>(7.1)</u> |

Diluted

For the six months ended June 30, 2022 and 2021, the computation of diluted profit/(loss) per share does not assume the subscription of the Company's outstanding potential ordinary shares as they are anti-dilutive.

18 CAPITAL COMMITMENTS

| | Unaudited June 30, 2022 HK\$'000 | Audited December 31, 2021 HK\$'000 |
|--|---|---|
| Contracted but not provided for – property, plant and equipment | <u>240,876</u> | <u>252,978</u> |



Notes to the Condensed Consolidated Interim Financial Statements

19 RELATED PARTY TRANSACTIONS

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries.

Save as disclosed elsewhere in the consolidated interim financial information, the Group had the following related party transactions during the six months ended June 30, 2022 and 2021:

Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

| | Unaudited six months ended June 30, 2022 HK\$'000 | Unaudited six months ended June 30, 2021 HK\$'000 |
|---|--|--|
| Salaries, bonus and allowances | 2,059 | 3,244 |
| Contributions to defined contribution plans | 52 | 18 |
| | 2,111 | 3,262 |

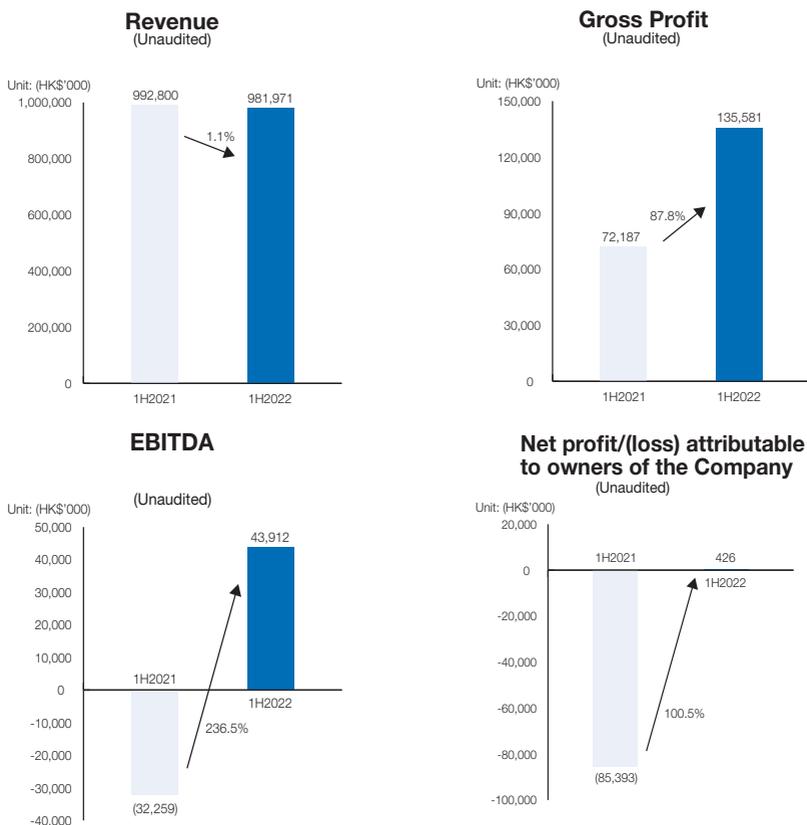
Management Discussion and Analysis

PanAsialum Holdings Company Limited (“**Company**”) and its subsidiaries (collectively, “**Group**”) is an aluminium products manufacturer and trader with production plants in the People’s Republic of China (“**PRC**”), making and selling a large and diverse portfolio of high quality products to its customers.

Performance Overview

In the first half of 2022, the Group has been actively seizing market opportunities and developed the Solar Panels, Consumer Electronics and Electric Vehicles markets, resulting in an increase in the respective products’ sales. On the other hand, the Group has been continuously refining its operational organisation to enhance the technological innovation, quality of current manufacturing operations and product quality, as well as the sustainability of profits.

The Group’s unaudited revenue, gross profit, EBITDA, net profit/(loss) to owners of the Company for the six months ended June 30, 2022 and for the same period of 2021 together with comparison figures are as follows:





Management Discussion and Analysis

For the six months ended June 30, 2022 (“**Period**”), the overall sales volume of the Group was approximately 24,662 tonnes, representing a year-on-year decrease of 5.7% compared with that for the corresponding period last year. The Group recorded revenue of approximately HK\$982.0 million for the Period, representing a slight decrease of approximately 1.1% as compared to the six months ended June 30, 2021 (“**2021 Period**”). Due to the Group’s continuous effective management of costs and optimisation of product mix, the gross profit margin of the Group increased to 13.8% for the Period (2021 Period: 7.3%). The profit attributable to owners of the Company amounted to approximately HK\$0.4 million for the Period, representing a significant increase of 100.5% as compared to the net loss for the 2021 Period.

Revenue

The following table shows the breakdown of revenue by products for the Period and for the same period of 2021:

| | For the six months ended June 30, | | | |
|----------------------|-----------------------------------|---|---------------------|---|
| | 2022 | | 2021 | |
| | Revenue HK\$'000 | Proportion of sales to total sales % | Revenue HK\$'000 | Proportion of sales to total sales % |
| Solar Panels | 413,071 | 42.1 | 334,616 | 33.7 |
| Consumer Electronics | 262,702 | 26.8 | 164,028 | 16.5 |
| Industrial Products | 258,855 | 26.3 | 481,806 | 48.6 |
| Electric Vehicles | 47,343 | 4.8 | 12,350 | 1.2 |
| Total | <u>981,971</u> | <u>100.0</u> | <u>992,800</u> | <u>100.0</u> |

The Group’s revenue derived from Solar Panels and Consumer Electronics products for the Period was approximately HK\$413.1 million and HK\$262.7 million respectively, accounting for approximately 42.1% and 26.8% of the total revenue and representing an increase of approximately 23.4% and 60.2% as compared with the 2021 Period, which was mainly contributed by the continuous high market demand and support of the relevant government policies. The Group’s revenue derived from industrial products amounted to approximately HK\$258.9 million, representing a decrease of approximately 46.3% from that of approximately HK\$481.8 million for the 2021 Period. The decrease in such revenue was mainly due to the shrink in our domestic market and overseas markets such as Australia and United Kingdom, resulting from effects such as COVID-19 pandemic, decline in market demand and other factors during the Period.

Management Discussion and Analysis



The following tables set out information about the geographical location of the Group's revenue from external customers:

| | Unaudited six months ended June 30, 2022 | | | | |
|-----------------------------|---|-----------------------|-----------------------|--------------------|-------------------|
| | South | | | | |
| | The PRC HK\$'000 | Australia HK\$'000 | East Asia HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| Sales to external customers | 438,845 | 77,124 | 413,071 | 52,931 | 981,971 |
| Cost of sales | (336,555) | (59,800) | (405,787) | (44,248) | (846,390) |
| Gross profit | <u>102,290</u> | <u>17,324</u> | <u>7,284</u> | <u>8,683</u> | <u>135,581</u> |

| | Unaudited six months ended June 30, 2021 | | | | |
|-----------------------------|---|-----------------------|-----------------------|--------------------|-------------------|
| | South | | | | |
| | The PRC HK\$'000 | Australia HK\$'000 | East Asia HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| Sales to external customers | 452,540 | 136,943 | 334,616 | 68,701 | 992,800 |
| Cost of sales | (433,517) | (107,673) | (321,689) | (57,734) | (920,613) |
| Gross profit | <u>19,023</u> | <u>29,270</u> | <u>12,927</u> | <u>10,967</u> | <u>72,187</u> |

The increase in overall revenue during the Period was mainly attributable to the continued increasing sales in the South East Asia market offsetting the drop of revenue in Australia, the PRC and United Kingdom during the Period.

Cost of sales

With the decrease in sales, cost of sales shrank by 8.1% from approximately HK\$920.6 million for the 2021 Period to approximately HK\$846.4 million for the Period was mainly due to the Company's continuous implementation of effective stringent cost control measures.

Gross profit and gross profit margin

During the Period, the Group's gross profit amounted to approximately HK\$135.6 million (the 2021 Period: approximately HK\$72.2 million) and the overall gross profit margin amounted to 13.8% (the 2021 Period: 7.3%). The increase of the Group's overall gross profit margin was primarily due to the continuous effective management of costs and optimisation of product mix.



Management Discussion and Analysis

Distribution and selling expenses

Distribution and selling expenses decreased to approximately HK\$35.3 million for the Period from approximately HK\$41.9 million for the 2021 Period, which was primarily due to decrease in transportation costs, and salaries and benefit expenses. A drop in transportation costs was resulted by an increase in the proportion of sales with less transportation costs; and decrease in sales. The decrease in salaries and benefit expenses was primarily due to a decrease in number of staff during the Period.

Administrative expenses

Administrative expenses mainly comprise research and development costs, salaries and benefit expenses, government levies, depreciation charges, impairment of inventories and amortisation of land use right. Administrative expenses decreased to approximately HK\$98.7 million for the Period from approximately HK\$111.4 million for the 2021 Period, which was primarily due to a decrease in salaries and benefit expenses of the Group for the Period as compared with those for the 2021 Period.

Other losses – net

Other losses increased from approximately HK\$3.9 million for the 2021 Period to approximately HK\$11.3 million for the Period. The loss was mainly due to the loss on derivative financial instruments – aluminium future contracts of approximately HK\$10.7 million, offset by the decrease in net exchange losses by approximately HK\$3.3 million during the Period.

During the Period, the Group entered into aluminum future contracts in order to manage its exposure to the price risk of aluminium. The loss on derivative financial instruments – aluminium future contracts represented the unrealised holding loss on the future contracts at the end of the Period.

Finance income

Finance income decreased from approximately HK\$1.0 million for the 2021 Period to approximately HK\$0.3 million for the Period. It mainly comprised of interest income.

Finance costs

Finance costs amounted to approximately HK\$11.7 million for the Period compared to approximately HK\$28.3 million for 2021 Period. The decrease in finance costs was due to the replacement of bank loans with higher interest rate during the Period, resulting in a decrease in the effective interest rate of the interest bearing borrowing as compared with the 2021 Period.

Income tax expenses

Income tax expenses mainly represented amounts of current tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong and the PRC. During the Period, no provision for Profits tax in Hong Kong and the PRC was made since the Group has sufficient tax losses brought forward to set off against assessable profits for the Period.

Income tax expenses of approximately HK\$0.6 million was mainly incurred in the PRC for the 2021 Period.

Prospect

Looking ahead, we expect the market environment to remain complicated, challenging and volatile, with expected fluctuation in raw material prices and continuous pressure on the sales performance and profitability of the Group in 2022 under the influence of surging inflation, intensified market competition, global shortage of chip supply, and rising interest rates.

Despite these significant headwinds, we remain confident that the Group is well-placed with a range of advantageous development opportunities for growth in various sectors, especially the Green Energy and Electric Vehicles sectors, supported by market trends and relevant government policies. In order to capture the growth in these sectors and to maintain the competitive strengths of PanAsialum, the Group will devote to strengthen its sales channels, and enhance the cooperation and services with quality customers and sourcing units. On the other hand, the Group will stay true at our original intention, maintain our competitive edges and diversified product portfolio with a strong focus on high-value-added products.

The Group will keep focusing on the rationalisation of our manufacturing platforms, including the on-going investment in a new production base in Heshan Industrial City ("**Heshan Production Base**") for manufacturing and production of high performance and high precision aluminium products. The progress of the Heshan Production Base is temporarily delayed due to a litigation claim ("**Heshan Claim**") in respect of its construction works. Please refer to the paragraph headed "Event After Reporting Period" for the latest status of the Heshan Claim.

Besides, the Group will continue to fulfill its social responsibilities as a responsible corporate citizen. The Group will be taking steps to actively respond to the national "dual carbon" strategic objectives by taking the initiatives to fulfill its carbon reduction responsibilities, improving its energy efficiency, and implementing dual carbon works in an orderly manner. We are committed to becoming one of the leading enterprises in China's carbon neutralisation.

Going forward, in view of the increasing market and business uncertainties, the Group will put stability as primary consideration, control operation risks stringently, focus on internal management reform and technology upgrade. On the other hand, the Group will continue to enhance its products portfolio, aiming at increasing the sales and improving overall profitability of the Group in the long run.



Management Discussion and Analysis

Liquidity and Financial Resources

The Group principally finances its operations through internally generated cash flow and borrowings. As at June 30, 2022, the Group had approximately HK\$133.2 million cash and cash equivalents (as at December 31, 2021: approximately HK\$54.6 million), approximately HK\$58.3 million pledged bank deposits (as at December 31, 2021: approximately HK\$26.5 million) and interest-bearing borrowings of approximately HK\$521.9 million denominated in Renminbi (“**RMB**”) (as at December 31, 2021: approximately HK\$486.7 million denominated in RMB).

Charges on Asset

As at June 30, 2022, approximately HK\$233.4 million (as at December 31, 2021: approximately HK\$196.4 million) of land use rights, approximately HK\$94.3 million (as at December 31, 2021: HK\$nil) of buildings, approximately HK\$60.6 million (as at December 31, 2021: approximately HK\$72.8 million) of plant and machinery, approximately HK\$36.9 million (as at December 31, 2021: approximately HK\$22.1 million) of trade and other receivables and approximately HK\$58.3 million (December 31, 2021: approximately HK\$24.5 million) of bank deposits of the Group were pledged as security for the Group’s bank borrowings.

Capital Structure

As at June 30, 2022 and December 31, 2021, the Company’s issued share capital was HK\$120,000,000, divided into 1,200,000,000 shares of HK\$0.1 each.

Foreign Exchange and Other Risk

The Group continued to receive Australian Dollar (“**AUD**”), United States Dollar and RMB from our sales to major customers during the Period, while most of the Group’s purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of HKD against RMB may have impact on the Group’s results. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group’s exchange rate risks. Any material fluctuation in the exchange rates of AUD and RMB may have an impact on the operating results of the Group.

The Group is exposed to commodity price risk because aluminium ingots are the major raw materials of the Group’s products. Any change in prices of aluminium could affect the Group’s financial performance. The Group has entered into future contracts traded on the Shanghai Futures Exchange in order to mitigate the risk arising from fluctuation in aluminium price.

Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at June 30, 2022 amounted to approximately HK\$240.9 million (as at December 31, 2021: approximately HK\$253.0 million), which was mainly related to the acquisition of machineries and establishing a new production base in the PRC.

Contingent Liabilities

As at June 30, 2022, the Group had no contingent liabilities (as at December 31, 2021: Nil).

Significant Investment, Material Acquisition and Disposal

The Group did not have any other significant investment, material acquisition and disposal during the Period.

Future Plans for Material Investments or Capital Assets

Except the future plans as disclosed in the paragraph headed “Prospect”, the Group had no other future plans for material investments or capital assets as at June 30, 2022.

Employee Information and Remuneration Policies

As at June 30, 2022, the Group employed approximately 1,050 staff (as at December 31, 2021: 1,600). The Group’s remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional development opportunities according to their needs. During the Period, the Group incurred staff costs (including Directors’ emoluments) of approximately HK\$66.5 million (2021 Period: approximately HK\$100.4 million).

Event After Reporting Period

On August 15, 2021, the Group has initiated a litigation claim (“**Litigation**”) against Guoheng Construction Group Co., Ltd. (國恒建設集團有限公司) as defendant for illegitimate sub-contracting, quality defects, etc. in respect of the construction works at Heshan Industrial City. On February 14, 2022, the Group received a writ of summon issued by Intermediate People’s Court of Jiangmen (廣東省江門市中級人民法院) and a court of proceeding was delayed to May 5, 2022. On June 20, 2022, the Group received the first-instance judgement from the intermediate People’s Court of Jiangmen. The Group and its legal counsel were dissatisfied with the facts finding and the result of the first-instance judgement, and applied for an appeal to the higher People’s Court of Guangdong Province on July 5, 2022. As at the date of this report, the appeal case is still at the preliminary stage. In view of the fact that the first-instance judgement has not yet come into effect and considering the current litigation progress, the Group believes that the outcome of the appeal case is still significantly uncertain, and therefore, the Group is not in the position to assess possible impact on the Group’s financial position.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2022 and up to the date of this report.



Other Information

INTERIM DIVIDEND

At the meeting of the Board held on August 26, 2022, the Board did not declare an interim dividend for the Period.

SHARE OPTION SCHEME

On January 18, 2013, the Company adopted a share option scheme ("**Share Option Scheme**") whereby the Board can grant options for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group ("**Participant(s)**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme is 120,000,000 shares which is equivalent to 10% of the issued capital of the Company after completion of the global offering ("**Global Offering**", as defined in the prospectus dated January 23, 2013). The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Global Offering. Unless otherwise approved by the shareholders in general meeting, the number of shares that may be granted to any one Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Exchange ("**Listing Rules**"))), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the shares on the daily quotation sheet of the Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the share.

Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

As at the date hereof, the outstanding number of options available for issue under the Share Option Scheme is 31,912,000, representing approximately 2.7% of the issued shares of the Company.



Details of the share options movements during the Period under the Share Option Scheme are as follows:

| Name or category of grantee | Date of grant of share option | Exercise price (HKD) | Exercise period | Balance as at January 1, 2022 | Number of share options | | | | | Balance as at June 30, 2022 |
|--------------------------------|-------------------------------|--------------------------|--|-------------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|-------------------------------|-----------------------------|
| | | | | | Granted during the Period | Exercised during the Period | Lapsed during the Period | Cancelled during the Period | Surrendered during the Period | |
| Directors | | | | | | | | | | |
| Mr. Leung Ka Tin | 23/12/2019 | 0.396 <i>(Note 1)</i> | 23/12/2019 – 22/12/2029 <i>(Note 2)</i> | 1,200,000 | - | - | - | - | - | 1,200,000 |
| Dr. Cheung Wah Keung | 23/12/2019 | 0.396 <i>(Note 1)</i> | 23/12/2019 – 22/12/2029 <i>(Note 2)</i> | 1,200,000 | - | - | - | - | - | 1,200,000 |
| Mr. Chan Kai Nang | 23/12/2019 | 0.396 <i>(Note 1)</i> | 23/12/2019 – 22/12/2029 <i>(Note 2)</i> | 1,200,000 | - | - | - | - | - | 1,200,000 |
| Other Participants | | | | | | | | | | |
| Mr. Mar Selwyn <i>(Note 4)</i> | 23/12/2019 | 0.396 <i>(Note 1)</i> | 23/12/2019 – 22/12/2029 <i>(Note 2)</i> | 1,200,000 | - | - | 1,200,000 | - | - | - |
| Employees | 23/12/2019 | 0.396 <i>(Note 1)</i> | 23/12/2019 – 22/12/2029 <i>(Note 2)</i> | 29,872,000 | - | - | 12,360,000 | - | - | 17,512,000 |
| Consultant(s) <i>(Note 3)</i> | 23/12/2019 | 0.396 <i>(Note 1)</i> | 23/12/2019 – 22/12/2029 <i>(Note 2)</i> | 10,800,000 | - | - | - | - | - | 10,800,000 |
| Total | | | | 45,472,000 | - | - | 13,560,000 | - | - | 31,912,000 |

Notes:

Save as disclosed herein, there are no other Directors, chief executive or substantial shareholders of the Company, or their respective associates that have been granted share options pursuant to the Share Option Scheme.

** No participants were granted options in excess of the individual limit pursuant to the Share Option Scheme.

1. The closing price of the shares of the Company immediately before December 23, 2019, on which those options were granted, was HK\$0.38.



Other Information

2. The share options are exercisable for a period of 10 years from the date of grant, subject to the vesting period as follows: (i) 60% of the share options be vested on the date of grant; and (ii) 40% of the share options be vested on the first anniversary of the date of grant.
3. The share options were granted to a sales and marketing relations consultant appointed on July 1, 2019. The rationale for such grant was to serve as the consideration of the services provided by the consultant.
4. Mr. Mar Selwyn, the former independent non-executive Director, was a senior adviser to the Board from July 23, 2021 to June 30, 2022.

SHARE AWARD SCHEME

The Company adopted a share award scheme ("**Share Award Scheme**") on March 3, 2014 ("**Adoption Date**").

Who May Join

Employee(s) are selected by the Board pursuant to the scheme rules for participation in the Share Award Scheme ("**Selected Employee(s)**").

The Purpose and Objective of the Share Award Scheme

The purposes of the Share Award Scheme are to recognise the contributions by Selected Employees and to give incentives thereto in order to retain them for the continual operation and development of the Group as part of talent retention program of the Group, and to attract suitable personnel for further development of the Group.

Operation of the Share Award Scheme

Bank of Communications Trustee Limited has been appointed as the trustee of the Share Award Scheme ("**Trustee**"). Pursuant to the scheme rules and the trust deed entered into with the Trustee, the Trustee shall purchase from the market or subscribe for the relevant number of shares awarded out of the Company's resources and shall transfer the relevant shares of the Company to that Selected Employee at no cost in accordance with the scheme rules.

The Share Award Scheme came into effect on March 3, 2014, and shall terminate on the earlier of (i) the tenth (10) anniversary date of the Adoption Date; or (ii) such date of early termination as determined by the Board.

During the Period, no shares were purchased by the Trustee on the market for the purpose of the Share Award Scheme. No shares were granted to the Selected Employees during the Period.



INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2022, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (“Model Code”), are as follows:

Long Position in the Shares

| Name of Director | Nature of interest | Number of ordinary shares | Number of share options pursuant to (Note 1) | Number of underlying shares held pursuant to share options (Note 1) | Percentage of the issued share capital of the Company (Note 3) |
|----------------------|---------------------------|---------------------------|--|---|--|
| Mr. Pan Zhaolong | Other ^(Note 2) | 900,000,000 | – | – | 75% |
| Mr. Leung Ka Tin | Beneficial owner | – | – | 1,200,000 | 0.10% |
| Dr. Cheung Wah Keung | Beneficial owner | – | – | 1,200,000 | 0.10% |
| Mr. Chan Kai Nang | Beneficial owner | – | – | 1,200,000 | 0.10% |

Notes:

- Details of share options held by Directors are set out in the section headed “Share Option Scheme”.
- Easy Star Holdings Limited is the registered holder of the 900,000,000 shares of the Company. Easy Star Holdings Limited is wholly-owned by Marina Star Limited. The entire issued share capital of Marina Star Limited was owned by Genesis Trust & Corporate Services Ltd. as trustee for The Pan Family Trust, a discretionary trust under which Mr. Pan Zhaolong, the Chairman, executive Director and chief executive officer of the Company, is a nominated beneficiary.
- The percentage represents the number of shares of the Company interested divided by the number of the issued shares of the Company as at June 30, 2022 (i.e. 1,200,000,000 shares).

Save as disclosed above, as at June 30, 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the Model Code.



Other Information

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the headings "Share Option Scheme" and "Share Award Scheme", at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at June 30, 2022, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Position in the Share

| Name | Capacity | Number of Shares | Approximate Percentage of Shareholding |
|--|------------------------------------|------------------|--|
| Easy Star Holdings Limited ("Easy Star") <i>(Note)</i> | Beneficial Owner | 900,000,000 | 75% |
| Marina Star Limited <i>(Note)</i> | Interest in controlled corporation | 900,000,000 | 75% |
| Genesis Trust & Corporate Services Ltd. <i>(Note)</i> | Trustee | 900,000,000 | 75% |

Note:

Easy Star was the registered holder of the 900,000,000 shares. Easy Star was wholly-owned by Marina Star Limited. The entire issued share capital of Marina Star Limited was owned by Genesis Trust & Corporate Services Ltd. as trustee for The Pan Family Trust. The Pan Family Trust was a discretionary trust. Mr. Pan Zhaolong, the Chairman, executive Director and chief executive officer of the Company, is a nominated beneficiary under The Pan Family Trust.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance and the Board considers that effective corporate governance is an essential factor to corporate success and to enhance the shareholders' value. The Group has applied the principles and complied with the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Exchange ("**Listing Rules**") throughout the Period with the exception of the following deviation:

Code Provision C.2.1

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Since July 1, 2022, the chairman and chief executive officer of the Company are performed by same individual, Mr. Pan Zhaolong. The Board would meet regularly to consider major matters affecting the operations of the Company. It is considered that this structure would not impair the balance of power and authority between the Directors and the management of the Company and believe that the current structure would enable the Group to make and implement decisions promptly and efficiently. However, going forward, the Board will review from time to time the need to separate the roles of the chairman and the chief executive officer if the situation warrants it.

CHANGES OF DIRECTORS' INFORMATION

Below are the changes in the information of Directors during the Period and up to the date hereof that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Dr. Cheung Wah Keung, the independent non-executive Director, has been appointed as a member of the Nomination Committee and ceased as the authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from May 18, 2022. He also ceased to be the Independent Non-executive Chairman with effect from July 1, 2022.

Mr. Pan Zhaolong, the executive Director and chief executive officer of the Company, has been appointed as the Chairman with effect from July 1, 2022.

Except as set out hereof, there is no other change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry, all Directors confirmed that they had complied with the Model Code provisions during the Period.



Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company and any of its subsidiaries have not redeemed any of its listed securities during the Period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained a sufficient public float as required under the Listing Rules as at the date hereof.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors, namely Mr. Leung Ka Tin, Dr. Cheung Wah Keung and Mr. Chan Kai Nang.

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group, as well as the unaudited consolidated interim financial statements for the Period and has recommended their adoption to the Board.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements for the Period has not been audited, but has been reviewed by the Audit Committee.

By order of the Board

Pan Zhaolong

Chairman and Executive Director

Hong Kong, August 26, 2022